

Message Text

PAGE 01 PARIS 00287 01 OF 04 041759Z

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INFO OCT-01 EUR-25 ISO-00 EB-11 DRC-01 RSC-01 /039 W

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R 041705Z JAN 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 5849

LIMITED OFFICIAL USE SECTION 1 OF 4 PARIS 0287/1

E.O. 11652: N/A

TAGS: BEXP FR

SUBJECT:EXPORT PROMOTION QUESTIONNAIRE

REF: A. STATE 239054 B. PARIS 5720, 3/8/73 C. PARIS A-994,
11/24/72 D. PARIS A-285, 4/16/73 E. PARIS A-64, 1/19/73
F. PARIS A-432, 3/27/70

1. FOLLOWING RESPONSES KEYED TO PERTINENT PARAGRAPHS
REF A:

2. ITEM 2. SINCE JULY 1971, CHANGES IN THE OVER-ALL
FRENCH EXPORT PROMOTION PROGRAM HAVE BEEN LIMITED IN
SCOPE. THERE HAS BEEN EVOLUTION IN APPLICATION OF
CERTAIN EXPORT PROMOTION TECHNIQUES AND A MORE CONSIDERABLE
SHIFT IN EMPHASIS ON MADE-TO-MEASURE MARKET DEVELOPMENT
SERVICES PROVIDED TO INDIVIDUAL FRENCH FIRMS MEETING
THE CRITERIA FOR SUCH ATTENTION (SEE REF B). GOVERNMENT-
SPONSORED TRADE MISSIONS WERE REDUCED FROM A LEVEL OF
ABOUT 30 ANNUALLY PRIOR TO 1971 TO APPROXIMATELY 10
OFFICIALLY SCHEDULED MISSIONS PER YEAR AT THE PRESENT
TIME. TRADE FAIR PARTICIPATION HAS BECOME MORE AND MORE
GLOBAL IN CHARACTER WITH FRANCE NOW PARTICIPATING I
65 TO 75 MAJOR FAIRS IN ALL PARTS OF THE WORLD. IT
WILL BE REMEMBERED THAT IN THE 60'S FRANCE'S TRADE FAIR
ACTIVITY WAS CONCENTRATED ALTERNATIVELY IN WORLD
REGIONS SUCH AS SOUTH AMERICA, THE FAR EAST, ETC. IN
ADDITION, FRANCE STAGES ONE OR TWO LARGE SCALE SOLO FAIRS
PER YEAR, THE MOST RECENT OF THESE EVENTS BEING HELD IN
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PAGE 02 PARIS 00287 01 OF 04 041759Z

KUALA LUMPUR, MALAYSIA. THE ONLY TRADE CENTER OPERATED
BY THE FRENCH IS THE ONE LOCATED CLOSE TO THE U.S.
TRADE CENTER IN TOKYO. THE FRENCH PLAN TO CONTINUE TO
OPERATE THIS CENTER BECAUSE THEY FIND IT A USEFUL

VEHICLE TO INCREASE TRADE RELATIONS WITH THE JAPANESE. FROM TIME TO TIME THEY ENCOUNTER DIFFICULTIES IN PROCURING PARTICIPATION BY FRENCH COMPANIES IN TOKYO CENTER EVENTS. IN PART THIS MAY BE DUE TO SUBSTANTIALLY HIGHER PARTICIPATION FEES CHARGED. THERE ARE NO PRESENT PLANS TO ESTABLISH TRADE CENTERS IN OTHER PARTS OF THE WORLD ON THE GROUNDS THAT TRADE INITIATION OBJECTIVES ARE BEING REALIZE THROUGH EXTENSIVE GLOBAL TRADE FAIR PARTICIPATION.

3. ITEMS 3 AND 4. THE CENTRE FRANCAIS DU COMMERCE EXTERIEUR, CFCE, PRINCIPAL GOF AGENCY RESPONSIBLE FOR NON-MONETARY EXPORTPROMOTION PROGRAMS, DOES NOT PLAN AGAINST SPECIFIC GOALS OR PERFORMANCE STANDARDS EITHER FOR OVER-ALL PROGRAMMING OR TO EVALUATE INDIVIDUAL EXPORT PROMOTION TECHNIQUES. CFCE OFFICIALS EXPLAIN THEIR SYSTEM OF GOVERNMENT ADMINISTRATION IS NOT AS LOGICAL AND RIGID AS THE AMERICAN SYSTEM. THEIR ALLOCATION OF FUNDS AND RESOOURCES IS BASED ON THE INTERACTION OF THREE MJOR FORCES WITHIN GOVERNMENT SYSTEM. THE FIRST FORCE IS PLANNING EFFORT WHICH COMES FROM PRIME MINISTER ON DOWN WITH AID, SUPPORT AND RESEARCH OF NATIONAL PLANNING AGENCY OF FRANCE, THE COMISSARIAT GENERAL DU PLAN. SECOND FORCE WITHIN THE SYSTEM EMANATES FROM MINISTRY OF ECONOMICS AND FINANCE AND IS PRIMARILY CONCERNED WITH CHECKS AND BALANCES WITHIN THE GOVERNMENT, I., INCOME AND EXPENDITURE OF NATIONAL FUNDS, INVESTMENT LEVELS AND THE ECONOMIC MOTIVATION OF AN ADEQUATE AND CONSTANT NATIONAL GROWTH PATTERN AND CONTRIBUTIONS EXPORTS MIGHT MAKE TO SUCH GROWTH. THE THIRD FORCE AFFECTING INCREASES AND DECREASES IN FRENCH EXPORT EXPANSION PROGRAMS IS EXERCISED BY THE MINISTRY OF INDUSTRY, WHICH IS PARTICULARLY SENSITIVE TO NEEDS AND PRESSURES OF FRANCE'S MAJOR INDUSTRIAL SECTORS. ACCORDINGLY PROGRAMS AND TECHNIQUES ARE NOT MONITORED OR EVALUATED AGAINST PREDETERMINED GOALS. WHERE EVALUATION REALLY TAKES PLACE IS WITHIN THE FRENCH "SYNDICATS", LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 03 PARIS 00287 01 OF 04 041759Z

TH VARIOUS INDUSTRY GROUPINGS AND ASSOCIATIONS WHOSE EXECUTIVE SECRETARIATS MEASURE ACTUAL INDUSTRY RESULTS AGAINST THOSE PROJECTED IN THE SIXTH NATIONAL PLAN COVERING 1971 TO 1975.

4. ITEMS 5 AND 16 REGIONAL, LOCAL AND CITY GOVERNMENTS ARE ONLY MARGINALLY ACTIVE IN EXPORT PROMOTION. FRANCE IS SERVED BY A THREE TIERED EXPORT PROMOTION ORGANIZATION WORKING WITH AND THROUGH THE CFCE. AT THE TOP LEVEL IN SEVEN KEY LOCATIONS THROUGHOUT FRANCE THERE ARE COMMERCIAL COUNSELORS WHO SERVE AS DIRECT REPRESENTATIVES, ALMOST AMBASSADORS, TO THEIR REGIONS. A LARGE PART O

THEIR ROLE IS TO INTERPRET FRENCH INTERNATIONAL ECONOMIC AND TRADE POLICY TO THE PREFECTS, REGIONAL AND LOCAL GOVERNMENTS AND LEADING FINANCIAL AND INDUSTRIAL FIGURES. LESS FREQUENTLY THEY ARE INVOLVED IN EXPORT COUNSELING AND OPERATIONAL ACTIVITIES, EXCEPT WHEN TRULY MAJOR PROJECTS ARE INVOLVED OR WHEN, BECAUSE OF THEIR STATURE, THEY CAN BREAK THROUGH RED TAPE BY COORDINATING BETWEEN GOVERNMENT AGENCIES AND BUSINESS AND FINANCIAL INSTITUTIONS. HERE AGAIN, THIS IS ONLY DONE WHERE MAJOR INTERESTS ARE AT STAKE. UNDER THE BROAD DIRECTION OF THE COMMERCIAL COUNSELORS THERE IS A SECOND LEVEL OF FRENCH COMMERCIAL AGENTS SERVING IN SOME 20 PRINCIPAL CITIES WHO ARE DIRECTLY ENGAGED IN EXPORT COUNSELING AND IN EXPORT OPERATIONAL AND PROMOTIONAL ACTIVITIES. IT IS AT THIS SECOND LEVEL THAT RATHER EXTENSIVE ANALYSIS IS CARRIED ON OF FRENCH COMPANIES IN THE PROVINCES TO DETERMINE IF THEY ARE QUALIFIED FOR TAILORIZED EXPORT MARKET DEVELOPMENT ASSISTANCE. INDIVIDUAL COMPANY FILES CONSISTING OF AS MANY AS 20 PAGES ON EACH INDIVIDUAL FIRM DESCRIBE IN CONSIDERABLE DETAIL THE ORGANIZATION, PERSONNEL, OBJECTIVES, FACILITIES AND POTENTIAL OF EACH COMPANY. THIS DETAILED INFORMATION IS PULLED TOGETHER AT THE THIRD AND LOWEST LEVEL OF THE OVER-ALL SYSTEM WHICH IS CONSTITUTED BY REGIONAL AND DEPARTMENTAL CHAMBER OF COMMERCE. ALL FRENCH COMPANIES BY LAW MUST BE MEMBERS OF THE CHAMBERS OF COMMERCE HAVING JURISDICTION IN THEIR AREAS AND PAY REGULARLY ASSESSED FEES CALLED PATENTS. AS A RESULT OF THIS COMPULSORY CHAMBER MEMBERSHIP SYSTEM, CHAMBERS ARE ABLE TO ESTABLISH AND FINANCE LIMITED OFFICIAL USE
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PAGE 04 PARIS 00287 01 OF 04 041759Z

PROFESSIONALLY STAFFED INTERNATIONAL TRADE DIVISIONS WHICH OPERATE ON THE BASIS OF ESTABLISHED AGREEMENTS WITH THE CFCE, WHICH THROUGH THE COMMERCIAL COUNSELORS AND COMMERCIAL AGENTS FURNISHES PROGRAMS, MATERIALS, INFORMATION, SUPERVISION AND CONTROL.

5. ITEM 6. FRENCH GOVERNMENT HAS RELAXED SOME REGULATIONS CONCERNING DIRECT INVESTMENT ABROAD. AMONG OTHERS, TWO SUBSTANTIAL FRENCH DIRECT INVESTMENTS IN U.S. WERE ANNOUNCED DURING PAST YEAR, ONE FOR DOLLARS 220 MILLION, ANOTHER FOR DOLLARS 55 MILLION. CONSIDERABLE INVESTMENT MADE IN FRANCOPHONE COUNTRIES AND EEC BUT INVESTMENT IN U.S. NOW ENCOURAGED MORE THAN PREVIOUSLY. USG PROGRAM TO STIMULATE FOREIGN DIRECT INVESTMENT IN U.S. RECEIVING INCREASING INTEREST. IN ADDITION, SOME STATE GOVERNMENTS VERY ACTIVE IN THIS REGARD, WORKING INDIVIDUALLY AND IN COOPERATION WITH EMBASSY'S INDUSTRIAL DEVELOPMENT ATTACHE. OTHER NOTABLE TARGET AREAS FOR FRENCH INVESTMENT HAVE BEEN MALAYSIA, MEXICO AND ZAIRE. GOF STIMULATES SUCH INVESTMENT THROUGH SPEECHES, SEMINARS,

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PAGE 01 PARIS 00287 02 OF 04 041806Z

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LIMITED OFFICIAL USE SECTION 2 OF 4 PARIS 0287

COORDINATED EFFORTS WITH CHAMBERS OF COMMERCE, TRADE ASSOCIATIONS AND BANKS AND IN DIRECT COUNSELING WITH PROSPECTIVE INDUSTRIAL INVESTORS. CFCE OFFICIALS SAY THE PROGRAM IS EFFECTIVE AND WILL BE CONTINUED.

6. ITEMS 7 & 11. AS INDICATED ITEM 2 ABOVE, EMPHASIS ON TAILORIZED MARKET DEVELOPMENT PROGRAMS IS BEING INCREASED RATHER THAN DECREASED. WHILE THE NAME, OPA, OF THE PROGRAM HAS BEEN PHASED OUT, THE SUBSTANCE CONTINUES IN FULL FORCE. COMPANIES SELECTED FOR THE PROGRAM SINCE JUNE , 1972, CONTINUE TO RECEIVE TAILORED MISSION PLANNING SERVICES AS WELL AS INDIVIDUAL ASSISTANCE BY ACCOMPANYING TRADE PROMOTION OFFICERS DURING THEIR VISITS TO THE U.S. AND CANADA. THE PRINCIPAL CHANGE IS THAT TRAVEL AND PER DIEM ADVANCES ARE NO LONGER AVAILABLE. A SIMILAR PROGRAM, OPB, OPERATION DE PROSPECTION BRITANNIQUE, WAS INITIATED IN 1973 TO PROMOTE FRENCH EXPORTS TO GREAT BRITIN.

7. ITEM 8.

A. FRENCH LEGISLATION AT PRESENT PROVIDES FOR TWO SPECIAL TYPES OF BUSINESS ENTITY WHICH COULD BE UTILIZED TO FORM EXPORT ASSOCIATIONS OF SMALL FIRMS: (1)JOINT ENTERPRISES TO FACILITATE ADAPTION OF SMALL BUSINESSES TO COMMON MARKET (SCIETES CONVENTIONNEES) AND (2) ECONOMIC INTEREST GROUPS (GROUPEMENTS D'INTERET ECONOMIQUE). (A THIRD TYPE -- JOINT VENTURES ORGANIZED AS CORPORATIONS, BUT WHOSE PROFITS AND LOSSES, DURING FIRST FIVE YEARS OF EXISTENCE, COULD BE TREATED FOR TAX

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PAGE 02 PARIS 00287 02 OF 04 041806Z

PURPOSES AS IF THE JOINT VENTURE WERE A PARTNERSHIP -- CEASED TO BE AVAILABLE FOR ENTITIES FORMED SUBSEQUENT TO

JANUARY 1, 1971, ALTHOUGH PARTICIPANTS IN SUCH JOINT VENTURES FORMED PRIOR TO THAT DATE MAY STILL BE AVAILING THEMSELVES OF TAX ADVANTAGES ATTACHED TO THESE ARRANGEMENTS.)

B. JOINT ENTERPRISES TO FACILITATE ADAPTATION TO COMMON MARKET. PARTICIPANTS MUST OBTAIN SPECIFIC APPROVAL OF FINANCE MINISTRY FOR JOINT ENTERPRISE. ONLY FIRMS WITH FEWER THAN 500 EMPLOYEES AND CAPITAL AND RESERVES OF LESS THAN 10 MILLION FRANCS MAY PARTICIPATE IN SUCH JOINT ENTERPRISES. PARTICIPATING FIRMS MAY DEDUCT FROM TAXABLE PROFITS, IN THE YEAR OF INVESTMENT, THE FULL AMOUNT INVESTED IN SHARES OF JOINT ENTERPRISE. IF PARTICIPATING FIRM SELLS ITS SHARES IN JOINT ENTERPRISE, ANY GAIN THEREFROM IS NOT TAXABLE, PROVIDED PROCEEDS ARE REINVESTED IN SIMILAR SHARES WITHIN A YEAR. UNDERLYING PRINCIPLE OF THIS FACILITY IS THAT PARTICIPATING FIRMS, IN COMBINATION, MAY BE ABLE TO CARRY ON ACTIVITIES THAT THEY ARE TOO SMALL TO UNDERTAKE INDIVIDUALLY, INCLUDING TECHNICAL OR COMMERCIAL RESEARCH, MARKET SURVEYS, JOINT SELLING (ESPECIALLY IN EXPORT MARKETS), QUALITY GUARANTEES AND PRODUCT DEVELOPMENT.

C. ECONOMIC INTEREST GROUPS (EIG). (1) A 1967 LAW ALLOWS FRENCH FIRMS TO FORM SUCH GROUPS TO CARRY ON CERTAIN ACTIVITIES JOINTLY WHILE MAINTAINING THEIR INDIVIDUALITY AND AUTONOMY. RELATIONSHIP AMONG PARTICIPANTS AND METHODS OF OPERATION OF EIG ARE SPECIFIED IN CONTRACT CREATING IT RAHTER THAN BEING DETERMINED BY FRENCH COMPANY LAW. PURPOSES FOR WHICH SUCH GROUPS MAY BE FORMED INCLUDE JOINT COMMERCIAL ACTIVITIES, SUCH AS PROOTION OF SALES ABROAD. NOTE THAT WHILE THERE IS NO REQUIREMENT FOR FIRMS PARTICIPATING IN EIG TO BE "SMALL," SMALL FIRMS CAN AVAIL THEMSELVES OF THE FACILITY TO POOL THEIR EFFORTS, INCLUDING THEIR EXPORT PROGRAMS.

(2) WHILE ENABLING LEGISLATION SPECIFIES THAT UNLIKE A COMANY, PROFIT MOTIVE IS NEITHER NECESSARY NOR SUFFICIENT GROUNDS FOR CREATION OF EIG, IT RECOGNIZES THAT EIG MAY REALIZE PROFITS OF LOSSES. IN SUCH CASES, EIG IS TREATED LIKE PARTNERSHIP FOR TAX PURPOSES. IT IS NOT SUBJECT TO CORPORATION TAX ON ITS EARNINGS; EACH LIMITED OFFICIAL USE
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PAGE 03 PARIS 00287 02 OF 04 041806Z

PARTICIPATING FIR MERELY INCLUDES ITS SHARE THEREOF IN ITS TAXABLE INCOME. MOREOVER, IF EIG SHOWS DEFICIT, PARTICIPANTS MAY OFFSET THEIR SHARE OF LOSSES AGAINST THEIR OWN TAXABLE PROFITS.

(3) THE TAX ADVANTAGES GRANTED, AFTER PRIOR APPROVAL OF FINANCE MINISTRY, TO PARTICIPANTS IN JOINT ENTRPRISES (SOCIETES CONVENTIONNEES; SEE PARA B, ABOVE) MAY BE GRANTED TO EIG PARTICIPANTS WHEN EIG MEETS QUALIFICATIONS REQUIRED FOR SUCH SPECIAL TREATMENT (E.G., WHERE ALL PARTICIPATING FIRMS ARE "SMALL").

EIG PARTICIPANTS AMY ALSO GET ADVANTAGE OF TA DEFERRAL FOR EXPENSES INCURRED BY EIG IN SETTING UP FOREIGN SALES OR AMRKET RESERACH FACILITIES FOR BENEFIT OF PARTICIPATING FIRMS (SEE PARIS A-994 OF NOVEMBER 24, 1972 AND PARIS A-285 OF APRIL 16, 1973).

D. TAX BENEFITS, AS DESCRIBED ABOVE, ARE PRINIPAL INSTRUMENT USED BY FRENCH AUTHORITIES TO ENCOURAGE FORMATION OF EXPORT ASSOCIATIONS OF SMALL FIRMS. ONE ADDITIONAL INDUCEMENT IS THE RELATIVELY SUPPLE NATURE OF EIG. FOR EXAMPLE, SUCH A GROUP MAY BE FORMED WITHOUT ANY CAPITAL SUBSCRIPTIONS ON THE PART OF

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PAGE 01 PARIS 00287 03 OF 04 041820Z

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TO SECSTATE WASHDC 5851

LIMITED OFFICIAL USE SECTION 3 OF 4 PARIS 0287/3

THE FOUNDERS, ALTHOUGH IN THIS CASE, ITS OPERATIONS WOULD HAVE TO BE FINANCED THROUGH WHAT IT COULD RAISE BY BORROWING, PRESUMABLY ON BASIS OF CREDIT STANDING OF PARTICIPATING FIRMS.

E. IT IS OUR IMPRESSION THAT AUTHORITIES HAVE LEFT INITIATIVE IN MATTER OF EXPORT ASSOCIATIONS LARGELY TO FIRMS IN QUESTION, ALTHOUGH EXPORT PROMOTION AGENCIES MAY, IN SOME INSTANCES, COUNSEL INTERESTED PARTIES TO UNDERTAKE SUCH VENTURES. JOINT ENTERPRISES (PARA B. ABOVE) MUST RECEIVE PRIOR APPROVAL OF FINANCE MINISTRY, AND IT IS LIKELY THAT BEFORE GIVING THEIR ASSENT, THE AUTHORITIES MAY IN THOSECASES MAKE SUGGESTIONS REGARDING CERTAIN FEATURES OF THE "AGREEMENT" BETWEEN FINANCE MINISTRY AND THE JOINT ENTERPRISE.

F. THERE ARE NO CURRENT DATA REGARDING EFFECTIVENESS OF THESE PROGRAMS IN ENCOURAGING SMALL FIRMS TO POOL THEIR EXPORT ACTIVITIES. IN 1970, FINANCE MINISTRY RELEASED INFORMATION ON A FEW EXAMPLES OF "JOINT ENTERPRISES" UNDERTAKING EXPORT EXPANSION ACTIVITIES. IN ALL, THERE WERE EIGHT CASES CITED IN FIELDS OF WOODWORKING, BUILDING HARDWARE, HAND TOOLS, MACHINERY, METAL WORKING, TOYS AND LABORATORY EQUIPMENT. RESULTS WERE MEASURED OVER PERIODS RANGING FROM THREE TO NINE YEARS AND SHOWED EXPORT GROWTH OF BETWEEN ROUGHLY 3,000 PERCENT AND 50 PER

CENT. THIS SAMPLE IS TOO SMALL
TO MAKE ANY HARD-AND-FAST CONCLUSIONS, BUT SUGGESTS
SOME SUCCESS IN DRAWING INTO EXPORT ACTIVITIES SMALLER
COMPANIES, THAT, WITHOUT SOME INDUCEMENT, WOULD PROBABLY
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PAGE 02 PARIS 00287 03 OF 04 041820Z

HAVE REMAINED ORIENTED LARGELY TOWARDS DOMESTIC MARKET.
ON THE OTHER HAND, FINANCE MINISTRY COMMENTED THAT NOT
VERY WIDE USE HAD BEEN MADE OF THE JOINT ENTERPRISE
FACILITY. PROBABLY IT IS HAS BEEN OF ONLY LIMITED EFFECTIVE-
NESS IN STIMULATING EXPORTS.

8. ITEM 9. IT IS LIKELY THAT CURRENT BALANCE WILL BE
MAINTAINED BETWEEN FINANCIAL AND NON-MONETARY EXPORT
PROMOTION TECHNIQUES. NOTWITHSTANDING WIDE RANGE OF
FINANCIAL EXPORT INCENTIVES AVAILABLE, THESE MAY BE
EXPANDED, WHILE PRESSURES ON GOF ARE MOUNTING TO INCREASE
LEVEL OF NON-MONETARY EXPORT PROMOTION TECHNIQUES. IN
THIS CONNECTION FRENCH PATRONAT CONDUCTED COMPARATIVE
EXPORT PROMOTION STUDY IN 1973 WHICH POINTED UP RELATIVE
FRENCH WEAKNESS IN FRENCH NON-MONETARY EXPORT PROMOTION
PROGRAMS AS COMPARED TO GREAT BRITAIN AND ITALY. THE
PATRONAT AS WELL AS OTHER BUSINESS GROUPS AND TRADE
ASSOCIATIONS CONTINUE TO RECOGNIZE THE IMPORTANCE AND
IMPACT OF GOF EXPORT MARKET DEVELOPMENT ASSISTANCE
PROGRAMS.

9. ITEMS 10 & 12 (IDENTICAL QUESTIONS). SEE REF E.
REGARDING GOF SUBSIDIES, EMBASSY LEARNED THESE
ARE OF TWO TYPES. DURING THE FIRST TWO YEARS OF APEXEL'S
OPERATIONS, THE MINISTRY OF INDUSTRY, (DIMELEC), IS
FINANCING FROM ONE FOURTH TO ONE THIRD OF THE COST OF
THE NEW YORK OFFICE. COFACE, THE FRENCH EXPORT
GUARANTEE ORGANIZATION HAS ALSO AGREED TO GUARANTEE THE
FIRST FIVE YEARS OF APEXEL'S NEW YORK OFFICE EXPENSES.
WE UNDERSTAND THAT THIS MEANS THAT COFACE WILL PAY THE
DIFFERENCE BETWEEN THE COST OF THE NEW YORK OFFICE AND
"EARNINGS". EARNINGS IN THE CASE OF APEXEL RESULT FROM
MEMBER FIRMS PAYING APEXEL 6 PERCENT OF MEMBER FIRMS
SALES. APEXEL HAS TEN YEARS IN WHICH TO REIMBURSE
COFACE FOR FUNDS ADVANCED.

10. ITEM 13. THE PRIMARY EMPHASIS OF FRENCH EXPORT
PROMOTION IS ON PRE-QUALIFIED FIRMS REGARDLESS OF SIZE.
SEE ITEM 5. PROMEX, THE MARKET RESEARCH DIVISION OF
THE CENTRE FRANCAIS DE COMMERCE EXTERIEUR PROVIDES
TAILORIZED EXPORT CONSULTING AND MARKET RESEARCH
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PAGE 03 PARIS 00287 03 OF 04 041820Z

SERVICES ON A CONTRACTUAL BASIS TO INDIVIDUAL FIRMS. WHEN A COMPANY REQUESTS EXPORT DEVELOPMENT ASSISTANCE, PROMEX STUDIES THE REQUEST CAREFULLY IN ORDER TO DETERMINE IF THE COMPANY IS REALLY IN A POSITION TO EXPORT AND IF ITS PRODUCTS HAVE EXPORT POTENTIAL. REGIONALLY BASED FRENCH COMMERCIAL AGENTS ARE CONSULTED IN QUALIFICATION PROCESS. WHEN FIRM DETERMINED QUALIFIED, PROMEX WILL SIGN AGREEMENT WITH IT. PROMEX WILL THEN CONSULT WITH FIRM REGARDING ITS OVERALL EXPORT PROGRAM, MARKETING STRATEGIES AND METHODS. WHEN NECESSARY, A MARKET SURVEY WILL BE INITIATED. IN THAT EVENT PROMEX SENDS A MARKET RESEARCH EXPERT TO STUDY POSSIBILITIES IN A COUNTRY OR MARKET WHICH APPEARS TO OFFER OPTIMUM POTENTIAL. ACCORDING TO PROMEX DIRECTOR GALOPIN, THE CONTRACTING FIRM PAYS FOR ALL EXPENSES INCURRED FOR THE SURVEY AND ALSO CONTRIBUTES TO A GENERAL FUND TO COVER A FAIR SHARE OF CFCE OVERHEAD EXPENSES.

11. ITEM 14. GOF RESEARCH AND DEVELOPMENT SUPPORT TO INDUSTRY PRIMARILY AIMED AT INCREASING FRENCH INDUSTRIAL CAPABILITY AND THEREBY PROMOTING ECONOMIC GROWTH, BUT OBVIOUSLY A CLOSELY RELATED GOAL IS TO MAKE FRENCH INDUSTRY MORE COMPETITIVE IN WORLD MARKETS BY IMPROVING PRODUCTION TECHNOLOGY AND DEVELOPING NEW PRODUCTS FOR EXPORT. TO CHARACTERIZE FRENCH R&D EFFORTS AS "DIRECT" MEANS OF EXPORT PROMOTION OR EXPORT PROMOTION "TOOLS" WITH SPECIFICALLY QUANTIFIABLE EFFECTS APPEARS UNWORKABLE TO US. FOR FURTHER DETAILS, INCLUDING INDUSTRIES SINGLED OUT FOR ASSISTANCE SEE REF B, PARAGRAPHS A(6) AND B.

1. ITEM 15.

A. PRESUME QUESTION REFERS TO INDUSTRIAL DEVELOPMENT INSTITUTE (IDI), WHICH WAS CREATED IN 1970 (SEE PARIS A-432, MARCH 27, 1970) (REF F).

B. EXPORT PROMOTION IS NOT ONE OF THE STATED OBJECTIVES OF IDI. AT THE TIME OF ITS CREATION ITS MAIN THRUST WAS STATED TO BE TAKING TEMPORARY DIRECT CAPITAL PARTICIPATIONS IN MEDIUM-SIZED AND EVEN SMALL FRENCH FIRMS WHICH, ALTHOUGH SHOWING SUBSTANTIAL PROMISE FOR GROWTH OVER LONGER-TERM, MIGHT BE EXPERIENCING LIMITED OFFICIAL USE
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PAGE 04 PARIS 00287 03 OF 04 041820Z

TEMPORARY FINANCIAL DIFFICULTIES. IDI MAY ALSO ACT TO FACILITATE MERGERS AND RESTRUCTURING OF INDUSTRIAL SECTORS, AS WELL AS ENCOURAGING CREATING OF NEW FIRMS AND EXPANSION OF INNOVATING FIRMS. IDI'S OPERATING TECHNIQUE IS NOT ONLY TO INJECT NEW FINANCING, BUT ALSO -- AND IN SOME CASES ITS INTERVENTION

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PAGE 01 PARIS 00287 04 OF 04 041749Z

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LIMITED OFFICIAL USE SECTION 4 OF 4 PARIS 0287

IS LIMITED TO THIS--TO MAKE THOROUGH SURVEY OPERATIONS OF ASSISTED FIRMS AND PROVIDE MANAGEMENT WITH RECOMMENDATIONS FOR IMPROVEMENT.

C. WITH MORE THAN 30 PERCENT OF FRENCH INDUSTRIAL PRODUCT NOW BEING EXPORTED, HOWEVER, IDI COULD NOT PLAY ITS ASSIGNED ROLE WITHOUT BEING CONCERNED WITH EXPORT POSITION OF FIRMS AND SECTORS WHICH IT UNDERTAKES TO ASSIST. THUS, AMONG SECTORS TO WHICH FRENCH GOVT HAS RECOMMENDED IDI GIVE PRIORITY ATTENTION IS A GROUP OF INDUSTRIES WHERE URGENT ACTION WAS DEEMED NECESSARY TO ARREST DETERIORATION OF EXTERNAL TRADE BALANCE -- FURNITURE, PAINT AND VARNISH, TANNING, STEEL WIRE AND PRINTING. IN PART, THIS WAS INTENDED TO MEAN STRENGTHENING ABILITY OF FIRMS IN THESE SECTORS TO MEET FOREIGN COMPETITION OF FRENCH DOMESTIC MARKET, BUT ALSO EXPANSION OF THEIR EXPORTS.

D. WHILE A NUMBER OF FIRMS THAT HAVE RECEIVED ASSISTANCE FROM IDI ARE ENGAGED IN REEXPORTING, RECORD OF IDI'S OPERATIONS THROUGH END OF 1972 DOES NOT SHOW MUCH ACTIVITY IN SECTORS IDENTIFIED BY GOVT AS REQUIRING PRIORITY ATTENTION BECAUSE OF FOREIGN TRADE PROBLEMS. FOR EXAMPLE, IN BOTH PAINT AND VARNISH AND FURNITURE INDUSTRIES, IDI SAYS IT EXPERIENCED GREAT DIFFICULTY IN FINDING FIRMS THAT IT FELT MERITED ITS ASSISTANCE, AND IT HAS ACTUALLY PROVIDED FINANCIAL SUPPORT ONLY TO TWO FURNITURE MANUFACTURERS.

E. IN 1973, DIFFERENCE AROSE BETWEEN GOVT AND IDI MANAGEMENT RE DIRECTION OF ITS ACTIVITIES. THESE LED TO A MAJOR CHANGE IN THE COMPOSITION OF IDI BOARD OF

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PAGE 02 PARIS 00287 04 OF 04 041749Z

DIRECTORS AND TO DESIGNATION OF NEW OPERATING HEAD. IDI HAS NOW COMMITTED VIRTUALLY ALL OF ITS AVAILABLE FINANCIAL RESOURCES AND APPEARS TO BE MARKING TIME

PENDING DECISION OF GOVT OF ADDITIONAL FUNDS.

13. EMBASSY WOULD APPRECIATE RECEIVING TWO COPIES OF
1971 COMPARATIVE EXPORT PROMOTION STUDY AS WELL AS OF
PRESENT, UPDATED, STUDY WHEN COMPLETED.
STONE

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